

Message Text

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PAGE 01 JAKART 12342 121242Z
ACTION EB-08

INFO OCT-01 EA-10 ISO-00 L-03 SS-15 SP-02 INR-10
OES-09 /058 W

-----087904 121247Z /44

P 121057Z SEP 78
FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC PRIORITY 1377

C O N F I D E N T I A L JAKARTA 12342

STADIS//////////

E.O. 11652: GDS
TAGS: ENRG, ID
SUBJECT: PAC-INDO LNG PROJECT

REF: (A) STATE 228523; (B) STATE 228706

1. WE WISH TO THANK THE DEPARTMENT FOR ITS EFFORTS IN PROVIDING THOROUGH AND TIMELY RESPONSES TO OUR REQUEST FOR INFORMATION REGARDING THE U.S. REGULATORY REVIEWS OF THE PAC-INDO LNG PROJECT. INFORMATION AND JUDGMENTS CONTAINED IN REFTELS WILL ENABLE US TO MANAGE BETTER THE STRAINS THIS ISSUE IS PLACING ON OUR OVERALL RELATIONSHIP WITH INDONESIA.

2. WE AGREE WITH THE VIEW EXPRESSED IN PARAS 5 AND 6 REFTEL

B THAT OVER-EMPHASIS AT THIS TIME ON SITING ISSUE OR REMAINING PROCEDURAL UNCERTAINTIES COULD CAUSE GOI TO CANCEL IMMEDIATELY THE CONTRACTS. IN HIS CONVERSATION WITH SOEBROTO (SEPTEL), THE AMBASSADOR THEREFORE REFERRED ONLY BRIEFLY AND IN VERY GENERAL TERMS TO THESE MATTERS IN CONTEXT OF MORE SPECIFIC DISCUSSION OF PRICE ESCALATOR AND RESPECTIVE RULES OF FERC AND ERA IN THE REVIEW PROCESS. HOWEVER, SOEBROTO INDICATED BY HIS QUESTIONS A KEEN APPRECIATION FOR POTENTIAL DELAYS RESULTING FROM SITING
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ISSUES OR THE APPEALS PROCESS. THE AMBASSADOR PLANS TO DISCUSS THESE ISSUES AND THE DIFFICULTIES THEY MIGHT CAUSE IN SOMEWHAT GREATER DETAIL TOMORROW WITH PERTAMINA PRESIDENT HARYONO.

3. IF, AS WE HOPE, A FAVORABLE PRICE ESCALATOR DECISION IS FORTHCOMING THIS MONTH, WE WILL MOVE QUICKLY TO

ENSURE THAT INDONESIANS DO NOT DEVELOP UNREALISTIC EXPECTATIONS WHICH, WHEN OTHER REGULATORY DEALYS DEVELOPED, COULD LEAD TO A REPEAT OF THE CURRENT SITUATION. AT THAT TIME, AMBASSADOR PLANS TO ELICIT SUPPORT OF SUCH FIGURES AS WIDJOJO AND RUSMIN, WHO HAVE GOOD ACCESS TO PRESIDENT, SOME UNDERSTANDING OF OUR ADMINISTRATIVE PROCESSES, AND PERSONAL INTEREST IN PROTECTING OUR OVERALL BILATERAL RELATIONSHIP. MASTERS

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATURAL GAS, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 12 sep 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978JAKART12342
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780370-0433
Format: TEL
From: JAKARTA
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780978/aaaacmce.tel
Line Count: 71
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 20e15b52-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: STADIS
Reference: 78 STATE 228523, 78 STATE 228706
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 02 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1471653
Secure: OPEN
Status: NATIVE
Subject: PAC-INDO LNG PROJECT
TAGS: ENRG, ID
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/20e15b52-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014